

**Testimony of the USA Rice Federation and the  
U S Rice Producers Association**

**By  
Bryan Moery  
Before**

**The Subcommittee on General Farm Commodities and Risk Management  
The Committee on Agriculture  
U.S House of Representatives**

**To Review the Farm Security Act of 2002**

**May 20, 2004**

**INTRODUCTION**

Mr. Chairman and members of the Committee, my name is Bryan Moery. I am a rice and soybean farmer from Wynne, Arkansas. I currently serve on the Board of Directors of the USA Rice Producers' Group, a charter member of the USA Rice Federation. The USA Rice Federation also includes the USA Rice Council and the USA Rice Millers Association. Mr. Dan Gertson, a rice farmer from Lissie, Texas, accompanies me today. Mr. Gertson currently serves as the Vice Chairman of the U S Rice Producers Association.

I am pleased to appear before the Committee today on behalf of the entire rice industry. My testimony represents the consensus position of these organizations with respect to legislation addressing our domestic agricultural commodity programs. On a personal note, I will share with you how excited and honored I am to testify before the Congress for the first time.

**BACKGROUND**

Rice production and marketing is a multi-billion dollar activity in the United States. Primarily produced on over 3 million acres in six states, rice accounts for \$1.4 billion in farm revenues. Rice production declined modestly in the mid-1980's, but grew sharply in the 1990's, from 156.1 million hundredweight in 1990 to an estimated 191.1 million hundredweight in 2000, an increase of more than 22 percent over the decade.

Rice production in 2004 is forecast to be a record 217.5 million hundredweight. Expected planted acreage of 3.26 million acres would be 8 percent greater than in 2003, based on increased plantings expected in all of the rice producing States except Mississippi.

U.S. rice production provides a versatile, nutritious food product for people here in the United States and around the world. Milled rice provides consumers with a ready food product that has a long, stable shelf life. While the United States produces the highest quality rice in the world, a family of four can prepare rice for dinner at a cost of less than 18 cents. Rice is used in everything from baby formulas to beer, and in a wide variety of ethnic cuisines enjoyed by many Americans.

Rice hulls and other co-products are being used in a number of innovative applications – in building materials and to provide energy. Winter-flooded rice fields provide important habitats for migratory waterfowl and other species.

Rice is a capital intensive and expensive crop to produce because of its requirement for extensive irrigation. Approximately one-half of the U.S. rice crop is exported each year, with the balance consumed in the United States. In addition, imported rice accounts for about 12 percent of U.S. rice consumption. These imports are primarily made up of specialized varieties of rice that are not widely produced in the United States. However, agricultural research is beginning to make available to U.S. farmers varieties designed to be grown in the United States to compete with these imports.

While the United States is currently the third largest exporter of rice in the world, our share of world export trade has declined continuously over the past twelve years. In 1986 the United States accounted for nearly 30 percent of world exports of rice. This year, the Department of Agriculture projects that U.S. rice will account for only 15 percent of world rice exports. The world's primary exporter of rice is Thailand. Other major exporting countries include Pakistan, India, and Vietnam. The United States competes with these and other countries in the world market. World rice export market share is a critical issue for the U.S. rice industry because we depend on the world market to sell such a large part of our annual production.

Increased global competition places the U.S. rice producer at the mercy of a volatile marketplace. Unlike the price for U.S. produced wheat and feed grains, the price for milled rice traded on the world market is determined in large part by our Asian competitors. The 2002 Farm Bill helps U.S. rice producers to survive the uncertainties that are a result of being dependent on a global marketplace.

## **THE FARM SAFETY NET: PROTECTING PRODUCER INCOME AND MORE THAN \$10 BILLION UNDER BUDGET**

During the development and consideration of the 2002 Farm Bill, U.S. agriculture in general, and rice producers in particular, faced continued low prices and declining income. In our testimony before this Committee on March 21, 2001 we expressed concern that rice farmers would not cash flow for lending purposes without additional support from the federal government. Congress averted this potential crisis by passing the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill). We commend this Committee and the Congress for its strong support of U.S. rice producers in approving the 2002 Farm Bill.

We are pleased to report that in rice country, the Farm Bill is working as it should by providing an important financial safety net during periods of low prices, such as the 2002/2003 crop year. When prices improve, as they have in 2004, the Farm Bill supports are reduced automatically through the counter-cyclical nature of the program. As a result, the 2002 Farm Bill has given producers hope that a strong agriculture economy may emerge that will allow producers to make long term plans and investments with the certainty that is needed to compete in an increasingly global economy.

Without the support of the 2002 Farm Bill, rice farmers in the U.S. would face an uncertain future. We encourage Congress to honor the commitments made to producers with its

passage of the 2002 Farm Bill, and leave in place for the life of the Farm Bill the safety net that is so important to a stable agriculture economy.

In addition to being necessary and effective, the 2002 Farm Bill has proven to be budget conscious. According to figures recently released by the Congressional Budget Office, outlays for Farm and Conservation programs under the 2002 Farm Bill are forecast to be more than \$5 billion below the initial CBO estimates for BOTH Fiscal Years 2004 and 2005.

Congress reduced Farm Bill mandatory program funding by an additional \$406 million in Fiscal Year 2004 through reductions in mandatory Farm Bill programs made during the appropriations process. It is clear that while the 108<sup>th</sup> Congress has not enacted broad based budget reconciliation legislation, our Farm Bill programs have already reduced real expected outlays by more than \$5.5 billion.

For Fiscal Year 2005, CBO estimates that the Farm Bill commodity and conservation program spending will fall by over \$5 billion below earlier projections. Despite these savings, the President's Budget proposes to slash an additional \$660 million out of mandatory Farm Bill programs.

We appreciate that this Committee recognizes the major contributions that the current Farm Bill has automatically made to spending reductions as farm prices have improved. But we must also urge you to oppose further reductions in the farm safety net through reductions in Farm Bill mandatory spending. We also urge you to oppose amendments that will change the basic structure or operation of our farm programs. After a long implementation period, our current farm bill is beginning to work in earnest, and doing its job well. Please do not upset the delicate balance of the farm programs by changing the rules of the game on producers in the midst of the six-year program.

We would also like to take this opportunity to share with the Committee some of the economics of rice farming. Rice farming involves some of the highest costs of production of any of the farm program commodities. From laser land leveling to the building of irrigation dikes and levees, rice farming demands investments of capital and management that are unique in their complexity and magnitude.

The biggest risk to rice farmers comes from price fluctuations and the status of export markets, not from weather related losses of the type covered by crop insurance. This is because rice producers essentially self-insure through the investment of funds to manage the irrigation necessary in rice production. As a result, rice yields fluctuate very little over time, as producers adjust their irrigation and other management tools to the needs of the day. Floods or excessive moisture can usually be managed without great harm to a rice crop. Likewise, droughts can be mitigated with the addition of irrigation water.

As a result, rice producers are more dependent on the Farm Bill commodity program than are the producers of many other program crops.

## **PAYMENT LIMITATIONS**

A matter that was thoroughly debated during consideration of the 2002 Farm Bill was the issue of payment limitations on farm programs. During development of the bill there was extensive media coverage on NBA basketball stars and media moguls receiving government farm program assistance. Farm Bill crafters addressed this issue by including a new adjusted gross income means test that prevents large corporations or those deriving substantial income off the farm from receiving Farm Bill assistance.

Unfortunately, there are those who wish to revisit this thoroughly debated issue. They seek to further reduce payments to some family farmers in a misguided effort to benefit what they believe are more important priorities. This continues to cause uncertainty across the agriculture community.

We urge Congress to heed the advice of the Commission on Payment Limitations that was appointed as required by the 2002 Farm Bill. This Commission was formed for the sole purpose of reviewing farm program payment limit provisions and recommending any needed changes. After months of extensive hearings and review the Commission determined that no modifications were warranted during the life of this Farm Bill. The rice industry agrees with this recommendation and urges Congress to honor its commitment to our producers made in the 2002 farm Bill, and to oppose further restrictions on payment limitations.

## **CONSERVATION**

The 2002 Farm Bill represented the single most significant commitment of resources toward conservation on private lands in the nation's history. The rice industry is proud of its contribution towards a better environment and appreciates the resources that Congress provided through the Environmental Quality Incentives Program (EQIP), Wetland Reserve Program (WRP), Conservation Reserve Program (CRP), and the Wildlife Habitat Incentives Program (WHIP), as well as others, including the new Conservation Security Program (CSP).

We remain excited about the potential for the CSP program and feel that many rice producers deserve rewards for their ongoing environmental stewardship. Rice producers have a rich history of addressing multiple resources of concern. In the course of maintaining an aquatic crop, many rice practices conserve soil, assist in water quality objectives and provide critical habitat for hundreds of wetland-dependant species. Considering these contributions, and other beneficial practices suitable for rice production, we have supported the development of working lands conservation programs that recognize the environmental benefits that can be achieved on productive agricultural lands. While the proposed CSP is not as extensive as we had hoped, we stand ready to work with you to make this program a long-term success.

Unfortunately, most of our producer members are concerned that the CSP program, in the proposed form, will not be accessible to them in the foreseeable future. One primary concern to our producers is the definition of an agriculture operation in the proposed rule. The proposed requirement that a contract application must include all lands that a producer has under "cohesive management", and the requirement that an applicant must have control of the land for the life of the contract, will likely prove to be challenging, especially when applied to diverse operations. We encourage consistency of farm definitions between farm programs and

conservation programs administered by USDA. We urge that such key conservation program definitions and designs be formulated and administered consistent with the definitions and administration of similar terms and issues for the farm programs consistent with the 2002 Farm Bill.

## **NUTRITION AND FOOD AID**

The rice industry is also proud of its contribution toward meeting humanitarian needs worldwide through food aid and nutrition programs authorized in the 2002 Farm Bill. Unfortunately, the appropriations process annually reduces the amount of funding for many of these programs despite the amounts authorized by this Committee. We urge Congress to fully fund these programs at the authorized amounts in order to better address domestic and worldwide hunger.

## **WTO NEGOTIATIONS**

We would also urge the Congress to maintain an adequate farm safety net for U.S. producers in the face of trade negotiations and dispute resolutions pending in the World Trade Organization. Many rice producers are understandably growing skeptical of the benefits of “free trade”. Discussions in the WTO about moving toward the reduction of domestic farm program supports makes rice producers very apprehensive. Administration negotiators will have to show real, measurable progress in bringing home market access gains before our producers and processors can seriously consider any reduction in U.S. programs.

In this regard, we salute the intent expressed by many Members of this Committee and the administration to appeal the expected adverse WTO panel report on the Brazilian challenge to U.S. agriculture programs. A strong U.S. defense of the consistency of U.S. farm and export financing programs with our country’s WTO commitments is critical to maintaining support in the countryside for trade negotiations.

## **CONCLUSION**

The 2002 Farm Bill is a vital safety net to rice farmers and our industry appreciates the commitment Congress has made to ensure a sustained domestic food supply. We urge the Committee to avoid future cuts to the support levels embodied in the legislation and pledge our assistance in meeting this challenge.

Again, on behalf of the nation’s rice producers, I want to thank you and the Members of the Committee for your interest in these important issues, and for the opportunity to testify. Mr. Gertson and I would be glad to answer any questions that you may have.